



WHITE PAPER

# Five Lessons from the Reshoring Trend

Thinkmax<sup>®</sup>

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# Five Lessons from the Reshoring Trend

Reshoring is a hot topic these days as more and more companies become aware of the benefits of manufacturing locally. But whether you intend to bring all, part or none of your production back to North America, there is plenty you can learn from companies that have been through the experience.



## LESSON 1

# Your decision needs to be future-proof

Manufacturers originally decided to move their operations overseas to take advantage of low labour costs. However, the manufacturers who relocated their operations to China 10 or 15 years ago have learned that the cost of offshoring is almost always more than what they had calculated. China might have been the country with the lowest overall manufacturing costs 15 years ago, but tomorrow it is more likely to be Indonesia, India or Mexico. A country's relative competitiveness is determined by a number of fluctuating factors such as wage growth, productivity, energy costs and currency fluctuations. So how can you decide where to offshore production and still make sure you will have made the best decision a decade later?

While manufacturers may not have control over macroeconomic factors, a number of studies have shown that the leading manufacturers consistently invest in technology. "Technology" can be a very broad and confusing term. Should manufacturers invest in robots? 3D printing? Infrared technology? ERP? There is no one-size-fits-all answer, but ERP will continue to play a key role in the manufacturing industry because it can bring all these technologies together, and it provides unprecedented insights into how to improve operational effectiveness.

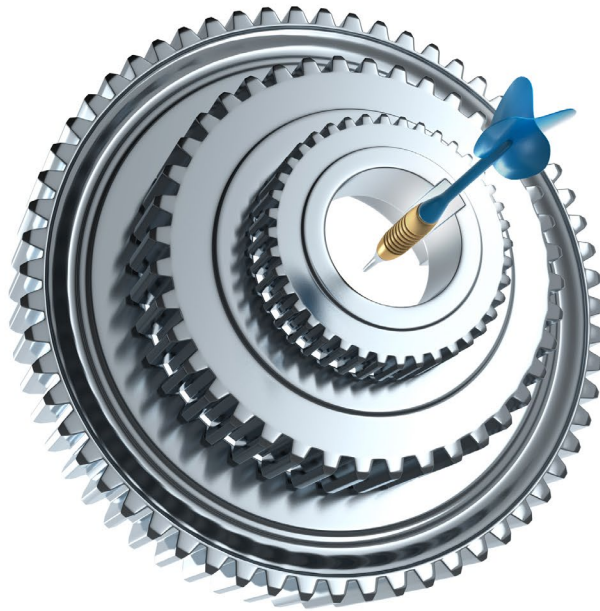


## LESSON 2

# Reshoring impacts all levels of the supply chain

Once the reshoring decision is made, manufacturers need to pick either a new or an existing facility for their local production. This decision impacts all levels of the supply chain and often involves establishing new workflows between suppliers, partners and manufacturing sites, not to mention optimizing inventory, warehousing and transportation management.

Successful manufacturers have learned that their ERP solution should be an asset and not a liability. Modern ERP solutions give manufacturers advanced features that provide better visibility of the extended supply chain and support multi-location supplier collaboration.



### LESSON 3

## You need to change how you manufacture products locally

Manufacturers have quickly realized they cannot manufacture products locally the same way they were manufacturing them overseas. In low-cost countries the focus is on leveraging inexpensive labour, but with reshoring, the focus is more on adopting lean manufacturing principles.

This can be harder for some industry segments than for others. However, many manufacturers have seen the benefits of working with a trusted advisor who has deep industry knowledge, to re-evaluate their existing processes, spot inefficiencies and eliminate waste.



#### LESSON 4

## Manufacturing globalization demands new strategies

Geographical closeness and customer responsiveness are often cited as some of the top motivators in bringing production back home, but will future demand still be driven by local markets or emerging ones?

Whether it is to exploit new markets or to lower manufacturing costs, the trend towards manufacturing globalization will only intensify. As a result, manufacturers need to ensure their ERP implementations are optimized to support extended international supply chains.



## LESSON 5

# Keep innovating

Innovation is often the result of a very interactive process between engineers, designers and manufacturers. The problem is that once you start outsourcing manufacturing overseas, you can't maintain that expertise because it is largely drawn from daily interactions with manufacturing. And then, before you know it, you have lost your ability to innovate. This is the sad lesson from years of extensive offshoring. Now that manufacturers are bringing work back home, they are fully aware of the importance of continuous innovation.

Innovation takes many forms. It can be new technology, new processes and methods, new services or simply something that eliminates the need for something else. Ultimately, it is what gives you a lasting competitive advantage. And today, it often starts with big data and analytics that can uncover the answers you need in real time.



# About Thinkmax

To bring your company to the next level, you need a partner. With offices in Montreal and Toronto, Thinkmax focuses on improving business processes through best-practices and technology for companies with complex operations in the area of supply chain, process and discrete manufacturing, distribution, retail and professional services.

Whether you are evaluating Enterprise Resource Planning (ERP), Business Intelligence (BI) and e-Commerce / Digital-Commerce solutions or have already implemented them and want to further leverage your investment, we can assist you.